



November 3, 2015
Halifax, Nova Scotia

**KILLAM PROPERTIES INC. ANNOUNCES HIGHEST QUARTERLY EARNINGS IN ITS HISTORY:
Third quarter 2015 results highlight \$0.24 per share in funds from operations**

Killam Properties Inc. (TSX: KMP) ("Killam") today reported funds from operations ("FFO") per share of \$0.24, up from \$0.23 in Q3-2014. For the nine months ended September 30, 2015, Killam earned \$0.59 in FFO per share, up 9.3% from \$0.54 in the same period in 2014.

"It's been another strong quarter for Killam. Our Q3-2015 FFO per share of \$0.24 marks our highest quarterly earnings on record," noted Philip Fraser, Killam's President and CEO. "We're achieving success in all areas of our growth strategy, driving increased FFO every quarter of 2015."

Financial and Operating Highlights

	<i>For the three months ended</i>		<i>For the nine months ended</i>	
	Sept 30, 2015	Sept 30, 2014	Sept 30, 2015	Sept 30, 2014
FFO per Share (diluted)	\$0.24	\$0.23	\$0.59	\$0.54
AFFO per Share (diluted) ⁽¹⁾	\$0.21	\$0.21	\$0.51	\$0.46
AFFO Payout Ratio (diluted)	71%	73%	88%	99%
Apartment Occupancy	95.3%	94.7%	95.5%	94.8%
Same Store Revenue Growth	2.6%		2.4%	
Same Store Net Operating Income Growth	4.0%		4.3%	
<i>(1) Adjusted funds from operations</i>				
	<i>As at</i>			
	Sept 30, 2015	Sept 30, 2014		
Total Debt to Total Assets	55.4%	53.6%		
Weighted Avg. Mortgage Interest Rate	3.32%	3.76%		
Weighted Avg. Term to Debt Maturity	4.3 years	4.5 years		
Interest Coverage Ratio	2.33x	2.20x		

Same store properties have been a leading contributor to Killam's earnings growth in 2015, generating a 4.0% increase in net operating income ("NOI") over Q3-2014, following 4.0% growth in Q2-2015 and 5.0% growth in Q1-2015. Improved occupancy, rental growth, operating efficiencies and lower energy costs all contributed to the increase.

Mr. Fraser expressed optimism about the year ahead, saying, "We see economic strength in the Atlantic Canadian economy, with Halifax leading the way. Killam will benefit from a stronger economy, increased employment and population growth in our core markets."

In 2016, Killam anticipates interest expense savings on refinancings, and expects recently completed developments and acquisitions to contribute to FFO per share growth. Successful completion of the conversion to Killam Apartment REIT, a structure that should maximize Killam's future cash flows, will round out the year. The shareholder meeting to approve the conversion is scheduled for December 8, 2015, in Halifax.

Summary of Q3 Results and Operations

Growing rental rates and improved occupancy drive same store revenue growth

Same store revenue growth of 2.6% was achieved through 1.2% and 4.4% increases in rental rates related to the apartment and manufactured home community ("MHC") portfolios, respectively, as well as a 60 basis point ("bps") increase in apartment occupancy and a 50 bps reduction in rental incentives. All regions contributed positively to revenue growth with Killam's largest rental market, Halifax, generating a 2.2% increase in same store property revenue during Q3-2015.

Lower energy costs and operating efficiencies curb expense growth

Same store property operating expenses increased a modest 0.3% in Q3-2015, mitigated by a 2.4% reduction in utility and fuel costs from lower pricing for oil and natural gas, as well as boiler replacements and lighting retrofits. Killam benefited from reduced water consumption through its ongoing water-fixture replacement program, resulting in a 0.7% decrease in same store apartment water costs in Q3-2015.

Developments and acquisitions contribute to FFO

Acquisitions and developments completed throughout 2015 and 2014, along with two previous developments that were stabilized part way through 2014, contributed \$1.6 million to FFO growth in the quarter. This growth was partially offset by an increase in the number of weighted average shares outstanding.

Interest savings locked in on refinancings

Killam successfully refinanced \$32.0 million of maturing apartment mortgages with \$43.8 million of new debt at a weighted average interest rate of 2.12%, 203 bps lower than the weighted average interest rate prior to refinancing, all for 5-year terms. The Company also refinanced one MHC mortgage at 3.41%, 147 bps lower than the weighted average interest rate prior to refinancing.

Expansion of development pipeline with \$8.4 million acquisition in Halifax

During the third quarter, Killam acquired a combination of commercial and residential assets located directly across from Killam's Spring Garden Terrace property in Halifax. The largest of the properties is known as the Medical Arts Building, an 18,000 square foot office building. Killam plans to redevelop the properties. The total purchase price of \$8.4 million was satisfied with the issuance of \$2.5 million of common shares of Killam, and the balance in cash. A new, three-year term, \$6.3 million mortgage was placed on the properties during the quarter.

Financial Summary (in thousands, except per share amounts)

The following chart provides a summary of Killam's financial position and results for the periods ending September 30, 2015, per International Financial Reporting Standards (IFRS). A reconciliation of net income to FFO is also disclosed. FFO is recognized as the industry-wide standard measure of operating performance for real estate entities, however it is not a measure defined by IFRS.

Consolidated Financial Highlights (unaudited)	For the three months ended		For the nine months ended	
	Sept 30, 2015	Sept 30, 2014	Sept 30, 2015	Sept 30, 2014
Property revenue	\$43,193	\$37,777	\$124,181	\$109,360
Net operating income	\$27,178	\$23,773	\$73,029	\$62,834
Income before fair value gain, gain (loss) on disposition, and income taxes	\$15,010	\$13,145	\$37,085	\$30,492
Fair value gain	\$1,368	\$13,382	\$1,548	\$21,582
Net income	\$11,621	\$21,466	\$27,731	\$41,221
Net income attributable to common shareholders	\$11,462	\$20,491	\$27,137	\$39,031
Earnings per share (diluted)	\$0.17	\$0.33	\$0.42	\$0.66

Reconciliation of Net Income to FFO	For the three months ended		For the nine months ended	
	Sept 30, 2015	Sept 30, 2014	Sept 30, 2015	Sept 30, 2014
Net Income	\$11,621	\$21,466	\$27,731	\$41,221
Fair value gains	(1,368)	(13,382)	(1,548)	(21,582)
Non-controlling interest (before fair value gains)	(284)	(277)	(793)	(794)
Deferred tax expense	4,831	5,061	10,793	10,947
Depreciation of owner-occupied building	53	44	146	124
(Gain) Loss on disposition	(74)	-	109	(94)
Tax planning costs	-	-	177	89
FFO	\$14,779	\$12,912	\$36,615	\$29,911
FFO per share	\$0.24	\$0.23	\$0.59	\$0.54

Financial Statements

Killam's Consolidated Financial Statements and Management's Discussion and Analysis for the three and nine months ended September 30, 2015, are posted under Financial Reports in the Investor Relations section of Killam's website at www.killamproperties.com/investor-relations. Readers are directed to these documents for financial details and a discussion around Killam's results.

Results Conference Call

Management will host a conference call to discuss these results on Wednesday, November 4, 2015, at 11:00 AM Eastern. The dial-in numbers for the conference call are 416-340-2220 (in Toronto) or 866-225-6564 (toll free, within North America).

A live audio webcast of the conference call will be accessible on the Company's website at www.killamproperties.com/investor-relations/events-and-presentations and at <http://www.gowebcasting.com/6651>.

Corporate Profile

Killam Properties Inc., based in Halifax, Nova Scotia, is one of Canada's largest residential landlords, owning, operating and developing multi-family apartments and manufactured home communities.

Non-IFRS Measures

There are measures included in this press release that do not have a standardized meaning under IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies. The Company includes these measures as a means of measuring financial performance.

- Net operating income is calculated by the Company as income from property operations.
- FFO is calculated by the Company as net income plus deferred tax expense, fair value losses, depreciation on owner-occupied property, loss on disposition and tax planning costs relating to the Company's potential REIT conversion, less fair value gains, gain on disposition and non-controlling interest.
- AFFO is calculated by subtracting the capital spend related to maintaining the earnings capacity of the portfolio from FFO; Killam uses the industry standard to \$450 per apartment unit per year, and \$100 per MHC site.
- Same store results in relation to the Company are revenues and property operating expenses for stabilized properties the Company has owned for equivalent periods in 2015 and 2014.
- Interest coverage is calculated by dividing the earnings before interest, tax, depreciation, gain or loss on disposition and fair value adjustments by interest expense.

See the Q3-2015 Management's Discussion and Analysis for further details on these non-IFRS measures.

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